

Digimarc Corporation
Consolidated Income Statement Information
(in thousands, except per share amounts)
(Unaudited)

	Three Month Information		Twelve Month Information	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Revenue:				
Service	\$ 3,499	\$ 2,899	\$ 15,006	\$ 13,881
Subscription	3,626	2,654	11,514	10,109
Total revenue	7,125	5,553	26,520	23,990
Cost of revenue:				
Service	1,584	1,136	6,299	5,827
Subscription	586	559	2,478	2,107
Total cost of revenue	2,170	1,695	8,777	7,934
Gross profit:				
Service	1,915	1,763	8,707	8,054
Subscription	3,040	2,095	9,036	8,002
Total gross profit	4,955	3,858	17,743	16,056
Gross profit margin:				
Service	55%	61%	58%	58%
Subscription	84%	79%	78%	79%
Total gross profit margin	70%	69%	67%	67%
Operating expenses:				
Sales and marketing	4,568	4,428	20,433	18,845
Research, development and engineering	4,612	4,011	17,542	17,314
General and administrative	4,023	3,253	19,634	12,710
Total operating expenses	13,203	11,692	57,609	48,869
Operating loss	(8,248)	(7,834)	(39,866)	(32,813)
Other income:				
Gain on extinguishment of note payable	—	—	5,094	—
Other income (loss)	3	20	29	277
Other income, net	3	20	5,123	277
Loss before income taxes	(8,245)	(7,814)	(34,743)	(32,536)
Benefit (provision) for income taxes	1	(2)	(16)	(1)
Net loss	\$ (8,244)	\$ (7,816)	\$ (34,759)	\$ (32,537)
Beneficial conversion feature	—	(11,443)	—	(11,443)
Net loss attributable to common shares	<u>\$ (8,244)</u>	<u>\$ (19,259)</u>	<u>\$ (34,759)</u>	<u>\$ (43,980)</u>
Earnings (loss) per common share:				
Loss per common share - basic	\$ (0.50)	\$ (1.27)	\$ (2.11)	\$ (3.41)
Loss per common share - diluted	\$ (0.50)	\$ (1.27)	\$ (2.11)	\$ (3.41)
Weighted average common shares outstanding - basic	16,565	15,222	16,463	12,906
Weighted average common shares outstanding - diluted	16,565	15,222	16,463	12,906

Digimarc Corporation
Consolidated Balance Sheet Information
(in thousands)
(Unaudited)

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 13,789	\$ 19,696
Marketable securities ⁽¹⁾	19,537	58,032
Trade accounts receivable, net	6,368	3,907
Loan receivable from related party	2,001	—
Other current assets	2,316	2,197
Total current assets	44,011	83,832
Marketable securities ⁽¹⁾	8,292	—
Property and equipment, net	2,875	3,272
Intangibles, net	6,611	6,612
Goodwill	1,114	1,114
Other assets	1,973	2,198
Total assets	<u>\$ 64,876</u>	<u>\$ 97,028</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 4,727	\$ 2,827
Deferred revenue	2,989	3,002
Note payable, current	—	3,947
Total current liabilities	7,716	9,776
Lease liability and other long-term liabilities	1,780	2,295
Note payable, long-term	—	1,118
Total liabilities	9,496	13,189
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	50	50
Common stock	17	17
Additional paid-in capital	261,324	255,024
Accumulated deficit	(206,011)	(171,252)
Total shareholders' equity	55,380	83,839
Total liabilities and shareholders' equity	<u>\$ 64,876</u>	<u>\$ 97,028</u>

(1) Aggregate cash, cash equivalents, short- and long-term marketable securities was \$41,618 and \$77,728 at December 30, 2021 and 2020, respectively.

Digimarc Corporation
Consolidated Cash Flow Information
(in thousands)
(Unaudited)

	Twelve Month Information	
	December 31, 2021	December 31, 2020
Cash flows from operating activities:		
Net loss	\$ (34,759)	\$ (32,537)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	1,370	1,531
Amortization and write-off of intangibles	678	771
Amortization of right of use assets under operating leases	493	470
Amortization of net premiums (discounts) on marketable securities	650	204
Gain on extinguishment of note payable	(5,032)	—
Stock-based compensation	11,936	9,115
Changes in operating assets and liabilities:		
Trade accounts receivable	(2,647)	114
Other current assets	(119)	259
Other assets	(83)	(8)
Accounts payable and other accrued liabilities	2,078	512
Deferred revenue	(10)	(199)
Lease liability and other long-term liabilities	(671)	(170)
Net cash used in operating activities	(26,116)	(19,938)
Cash flows from investing activities:		
Loan to related party	(2,000)	—
Purchase of property and equipment	(966)	(1,020)
Capitalized patent costs	(606)	(612)
Maturities of marketable securities	82,076	42,951
Purchases of marketable securities	(52,523)	(75,583)
Net cash provided by (used in) investing activities	25,981	(34,264)
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	—	38,603
Issuance of preferred stock, net of issuance costs	—	16,888
Exercise of stock options	—	5,922
Proceeds from note payable	—	5,032
Purchase of common stock	(5,772)	(3,760)
Net cash provided by (used in) financing activities	(5,772)	62,685
Net increase (decrease) in cash and cash equivalents ⁽²⁾	\$ (5,907)	\$ 8,483
Cash, cash equivalents and marketable securities at beginning of period	77,728	36,817
Cash, cash equivalents and marketable securities at end of period	41,618	77,728
(2) Net increase (decrease) in cash, cash equivalents and marketable securities	\$ (36,110)	\$ 40,911